

TOWNSHIP OF HOMER
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Homer	County Calhoun
Audit Date March 31, 2007	Opinion Date July 25, 2007	Date Accountant Report Submitted to State: July 27, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., PC			

TOWNSHIP OF HOMER
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

July 25, 2007

To the Township Board
Township of Homer
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Homer, Calhoun County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Homer's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Homer, Calhoun County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HOMER
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Homer covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$178,209.81 for governmental activities.

Overall revenues were \$279,751.16 from governmental activities.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Cemetery Perpetual Care Fund and the Current Tax Collection Fund.

TOWNSHIP OF HOMER
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains in a precarious state. We continue to lose income due to decrease in State revenue sharing as well as low interest rates. We are seeking ways to raise our income. Alternatives at this time would include a special assessment district for fire protection and/or a millage for the same. This income would alleviate shortfalls in our current General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services. The most significant was Fire Protection which incurred expenses of \$54,161.06.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$15,710.68 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 517-568-4786 or Township Treasurer at 517-568-4551.

TOWNSHIP OF HOMER
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	142 834 57
Taxes receivable	11 281 56
Accounts receivable	<u>500 00</u>
Total Current Assets	<u>154 616 13</u>
NON-CURRENT ASSETS:	
Capital Assets	35 608 65
Less: Accumulated Depreciation	<u>(12 014 97)</u>
Total Non-current Assets	<u>23 593 68</u>
TOTAL ASSETS	<u>178 209 81</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	23 593 68
Unrestricted	<u>154 616 13</u>
Total Net Assets	<u>178 209 81</u>
TOTAL LIABILITIES AND NET ASSETS	<u>178 209 81</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	6 254 67	-	(6 254 67)
General government	121 112 26	48 649 93	(72 462 33)
Public safety	56 507 78	47 041 00	(9 466 78)
Public works	2 259 00	-	(2 259 00)
Culture and recreation	<u>45 913 08</u>	<u>-</u>	<u>(45 913 08)</u>
Total Governmental Activities	<u>232 046 79</u>	<u>95 690 93</u>	<u>(136 355 86)</u>
General Revenues:			
Property taxes			92 925 35
State revenue sharing			79 080 00
Interest			3 163 10
Miscellaneous			<u>8 891 78</u>
Total General Revenues			<u>184 060 23</u>
Change in net assets			47 704 37
Net assets, beginning of year			<u>130 505 44</u>
Net Assets, End of Year			<u>178 209 81</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	132 376 14	10 458 43	142 834 57
Taxes receivable	11 281 56	-	11 281 56
Accounts receivable	<u>-</u>	<u>500 00</u>	<u>500 00</u>
Total Assets	<u>143 657 70</u>	<u>10 958 43</u>	<u>154 616 13</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved for cemetery	-	10 958 43	10 958 43
Unreserved:			
Undesignated	<u>143 657 70</u>	<u>-</u>	<u>143 657 70</u>
Total fund equity	<u>143 657 70</u>	<u>10 958 43</u>	<u>154 616 13</u>
Total Liabilities and Fund Equity	<u>143 657 70</u>	<u>10 958 43</u>	<u>154 616 13</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	154 616 13
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	35 608 65
Accumulated depreciation	<u>(12 014 97)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>178 209 81</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
Revenues:			
Property taxes	92 925 35	-	92 925 35
State revenue sharing	79 080 00	-	79 080 00
Charges for services – PTAF	21 909 98	-	21 909 98
Charges for services – other	26 739 95	-	26 739 95
Interest	3 115 84	47 26	3 163 10
Special assessments	46 628 25	412 75	47 041 00
Miscellaneous	8 891 78	-	8 891 78
Total revenues	<u>279 291 15</u>	<u>460 01</u>	<u>279 751 16</u>
Expenditures:			
Legislative:			
Township Board	6 254 67	-	6 254 67
General government:			
Supervisor	8 371 96	-	8 371 96
Elections	4 175 14	-	4 175 14
Assessor	10 587 76	-	10 587 76
Clerk	19 033 36	-	19 033 36
Board of Review	1 259 82	-	1 259 82
Treasurer	14 246 17	-	14 246 17
Building and grounds	300 00	-	300 00
Cemetery	34 126 76	-	34 126 76
Unallocated	22 893 32	-	22 893 32
Public safety:			
Fire protection	54 161 06	-	54 161 06
Protective inspection	1 812 16	-	1 812 16
Planning and zoning	534 56	-	534 56
Public works:			
Drains	2 259 00	-	2 259 00
Culture and recreation:			
Library	45 913 08	-	45 913 08
Capital outlay	15 710 68	-	15 710 68
Total expenditures	<u>241 639 50</u>	<u>-</u>	<u>241 639 50</u>
Excess (deficiency) of revenues over expenditures	<u>37 651 65</u>	<u>460 01</u>	<u>38 111 66</u>
Other financing sources (uses):			
Operating transfers in	7 970 26	-	7 970 26
Operating transfers out	-	(7 970 26)	(7 970 26)
Total other financing sources (uses)	<u>7 970 26</u>	<u>(7 970 26)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	45 621 91	(7 510 25)	38 111 66
Fund balances, April 1	<u>98 035 79</u>	<u>18 468 68</u>	<u>116 504 47</u>
Fund Balances, March 31	<u>143 657 70</u>	<u>10 958 43</u>	<u>154 616 13</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 38 111 66

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(6 117 97)
Capital Outlay	<u>15 710 68</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>47 704 37</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Homer, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Homer. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund accounts for funds reserved for care of the cemetery.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 1.9071 mills, and the taxable value was \$52,432,362.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40 years
Furniture and equipment	3 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>142,834.57</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	144,385.62
Uninsured and Uncollateralized	<u>28,628.19</u>
Total Deposits	<u>173,013.81</u>

The Township of Homer did not have any investments as of March 31, 2007.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Buildings	13 500 00	-	-	13 500 00
Equipment	<u>6 397 97</u>	<u>15 710 68</u>	<u>-</u>	<u>22 108 65</u>
Total	19 897 97	15 710 68	-	35 608 65
Accumulated Depreciation	<u>(5 897 00)</u>	<u>(6 117 97)</u>	<u>-</u>	<u>(12 014 97)</u>
Net Capital Assets	<u>14 000 97</u>	<u>9 592 71</u>	<u>-</u>	<u>23 593 68</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2007, the Township had building permit revenues of \$3,015.00 and building permit expenses of \$1,812.16.

Note 9 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	<u>7 970 26</u>	Cemetery Perpetual Care	<u>7 970 26</u>

TOWNSHIP OF HOMER
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	45 050 00	45 050 00	95 925 35	47 875 35
State revenue sharing	77 500 00	77 500 00	79 080 00	1 580 00
Charges for services – PTAF	16 000 00	16 000 00	21 909 98	5 909 98
Charges for services – other	22 500 00	22 500 00	26 739 95	4 239 95
Interest	1 500 00	1 500 00	3 115 84	1 615 84
Special assessments	56 167 00	56 167 00	46 628 25	(9 538 75)
Miscellaneous	17 500 00	17 500 00	8 891 78	(8 608 22)
Total revenues	<u>236 217 00</u>	<u>236 217 00</u>	<u>279 291 15</u>	<u>43 074 15</u>
Expenditures:				
Legislative:				
Township Board	6 011 00	6 359 00	6 254 67	(104 33)
General government:				
Supervisor	8 527 00	8 527 00	8 371 96	(155 04)
Elections	4 750 00	4 750 00	4 175 14	(574 86)
Assessor	11 755 00	11 755 00	10 587 76	(1 167 24)
Clerk	18 293 00	19 340 00	19 033 36	(306 64)
Board of Review	1 265 00	1 411 00	1 259 82	(151 18)
Treasurer	14 684 00	14 730 00	14 246 17	(483 83)
Building and grounds	300 00	300 00	300 00	-
Cemetery	37 116 00	37 594 00	34 126 76	(3 467 24)
Unallocated	25 600 00	25 561 00	22 893 32	(2 667 68)
Public safety:				
Fire protection	55 328 00	54 162 00	54 161 06	(94)
Protective inspection	1 985 00	1 985 00	1 812 16	(172 84)
Planning and zoning	1 569 00	1 569 00	534 56	(1 034 44)
Public works:				
Drains	3 849 00	3 849 00	2 259 00	(1 590 00)
Lakes	8 484 00	8 484 00	-	(8 484 00)
Culture and recreation:				
Library	48 633 00	48 633 00	45 913 08	(2 719 92)
Capital outlay	16 600 00	15 740 00	15 710 68	(29 32)
Total expenditures	<u>264 749 00</u>	<u>264 749 00</u>	<u>241 639 50</u>	<u>(23 109 50)</u>
Excess (deficiency) of revenues over expenditures	<u>(28 532 00)</u>	<u>(28 532 00)</u>	<u>37 651 65</u>	<u>66 183 65</u>
Other financing sources (uses):				
Operating transfers in	-	-	7 970 26	7 970 26
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>7 970 26</u>	<u>7 970 26</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(28 532 00)</u>	<u>(28 532 00)</u>	<u>45 621 91</u>	<u>74 153 91</u>
Fund balance, April 1	<u>28 532 00</u>	<u>28 532 00</u>	<u>98 035 79</u>	<u>69 503 79</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>143 657 70</u>	<u>143 657 70</u>

TOWNSHIP OF HOMER
Calhoun County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	-	1 682 301 42	1 682 301 42	-
<u>Liabilities</u>				
Due to General Fund	-	150 440 49	150 440 49	-
Due to others	-	1 531 860 93	1 531 860 93	-
Total Liabilities	-	1 682 301 42	1 682 301 42	-
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	6 345 82	-	6 345 82	-
<u>Liabilities</u>				
Due to others	6 345 82	-	6 345 82	-
Total Liabilities	6 345 82	-	6 345 82	-
<u>TOTAL – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	6 345 82	1 682 301 42	1 688 647 24	-
<u>Liabilities</u>				
Due to General Fund	-	150 440 49	150 440 49	-
Due to others	6 345 82	1 531 860 93	1 538 206 75	-
Total Liabilities	6 345 82	1 682 301 42	1 688 647 24	-

TOWNSHIP OF HOMER
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2007

Cash on hand and in bank – beginning of year	<u>-</u>
Cash receipts:	
Property taxes	1 665 638 90
Property tax administration fees	16 546 46
Interest	<u>116 06</u>
Total cash receipts	<u>1 682 301 42</u>
Total beginning balance and cash receipts	<u>1 682 301 42</u>
Cash disbursements:	
Calhoun County	584 561 43
Calhoun County Intermediate School District	264 082 52
Hillsdale Intermediate School District	22 079 85
Litchfield School District	21 715 75
Homer Community Schools	452 113 22
Kellogg Community College	149 308 32
Township General Fund	150 440 49
State of Michigan	29 468 94
Refunds	<u>8 530 90</u>
Total cash disbursements	<u>1 682 301 42</u>
Cash on Hand and In Bank – End of Year	<u><u>-</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 25, 2007

To the Township Board
Township of Homer
Calhoun County, Michigan

We have audited the financial statements of the Township of Homer for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Homer in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Homer
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants